



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
TRIMBLE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
TRIMBLE COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS.....	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE.....	17
SCHEDULE OF OPERATING REVENUE	20
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	27
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	37
COMMENT AND RECOMMENDATION	41
APPENDIX A: CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Ray Clem, County Judge/Executive

Honorable Jack Couch, Former County Judge/Executive

Members of the Trimble County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Trimble County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Trimble County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Trimble County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Trimble County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Ray Clem, County Judge/Executive
Honorable Jack Couch, Former County Judge/Executive
Members of the Trimble County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Trimble County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Comment and Recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$307,943 As Collateral And Entered Into A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 1999, on our consideration of Trimble County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 30, 1999

TRIMBLE COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Jack F. Couch	County Judge/Executive
Bobby K. True	County Attorney
Jerry L. Powell	County Clerk
June Ginn	Circuit Court Clerk
Dennis Long	Sheriff
Keith Harmon	Jailer
Glen Perkinson	Property Valuation Administrator
Bernice Liter	County Treasurer
William Ransdell	Coroner
Norvel Barnes	Magistrate
Orville Smith	Magistrate
Paul Poe	Magistrate
Forrest Burkhardt	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets

General Fund:

Cash	\$ 363,847
Investments	2,028,695

Road and Bridge Fund:

Cash	403,249
Investments	152,328

Jail Fund:

Cash	8,710
------	-------

Local Government Economic Assistance Fund:

Cash	10,703
------	--------

Revolving Account:

Cash	<u>994</u>
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Total Assets

\$ 2,968,526

Liabilities and Fund Balances

Liabilities

Revolving Account	\$ 994
-------------------	--------

Fund Balances

Unreserved:

General Fund	2,392,542
Road and Bridge Fund	555,577
Jail Fund	8,710
Local Government Economic Assistance Fund	<u>10,703</u>

Total Liabilities and Fund Balances

\$ 2,968,526

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

TRIMBLE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,519,268	\$ 766,368	\$ 713,792	\$ 30,261
Transfers In	237,393			123,293
Total Cash Receipts	<u>\$ 1,756,661</u>	<u>\$ 766,368</u>	<u>\$ 713,792</u>	<u>\$ 153,554</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,352,901	\$ 500,629	\$ 594,046	\$ 145,433
Transfers Out	237,393	237,393		
Total Cash Disbursements	<u>\$ 1,590,294</u>	<u>\$ 738,022</u>	<u>\$ 594,046</u>	<u>\$ 145,433</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 166,367	\$ 28,346	\$ 119,746	\$ 8,121
Cash Balance - July 1, 1997*	<u>2,801,165</u>	<u>2,364,196</u>	<u>435,831</u>	<u>589</u>
Cash Balance - June 30, 1998*	<u>\$ 2,967,532</u>	<u>\$ 2,392,542</u>	<u>\$ 555,577</u>	<u>\$ 8,710</u>

* Cash Balance Includes Investments

TRIMBLE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1998
(Continued)

Local
Government
Economic
Assistance
Fund

\$ 8,847

114,100

\$ 122,947

\$ 112,793

\$ 112,793

\$ 10,154

549

\$ 10,703

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Trimble County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Trimble County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of June 30, 1998, the uncollateralized amount on deposit was \$307,943. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institution.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 1998:

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 685,000
Uncollateralized and Uninsured	<u>307,943</u>
Total	<u>\$ 992,943</u>

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

TRIMBLE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 512,109	\$ 766,368	\$ 254,259
Road and Bridge Fund	610,936	713,792	102,856
Jail Fund	155,299	30,261	(125,038)
Local Government Economic Assistance Fund	116,100	8,847	(107,253)
Total	<u>\$ 1,394,444</u>	<u>\$ 1,519,268</u>	<u>\$ 124,824</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 1,394,444
Add: Budgeted Prior Year Surplus	<u>76,928</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 1,471,372</u>

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SCHEDULE OF OPERATING REVENUE

TRIMBLE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 203,001	\$ 203,001	\$	\$
Excess Fees - 1997	12,140	12,140		
County Clerk:				
Deed Transfer Tax	12,295	12,295		
Occupational Licenses	14	14		
Delinquent Taxes	501	501		
Excess Fees - 1997	1,713	1,713		
Tangible Personal Property Taxes:				
Other Counties	6,792	6,792		
County Clerk	27,813	27,813		
Totals	\$ 264,269	\$ 264,269	\$ 0	\$ 0
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grant - Coordinator Salary	\$ 745	\$ 745	\$	\$
Disaster and Emergency Assistance				
Grant - 1997 Flood Relief	41,596		41,596	
Totals	\$ 42,341	\$ 745	\$ 41,596	\$ 0
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 24,000	\$	\$	\$ 24,000
Medical Allotments	1,806			1,806
Driving Under The Influence Fees	1,431			1,431
Court Costs, Jail Operation	3,024			3,024
County Road Aid	480,196		480,196	
Truck License Distribution	151,651		151,651	
Courthouse Rental - Administrative				
Office of the Courts	27,817	27,817		

TRIMBLE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local
 Government
 Economic
 Assistance
Fund

\$

\$ 0

\$

\$ 0

\$

TRIMBLE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
<u>(Continued)</u>				
Refunds:				
Legal Process Tax	\$ 57	\$ 57	\$	\$
Drivers Licenses	429		429	
Dog Licenses	27	27		
Severance Taxes:				
Mineral	3,476			
Board of Assessments	150	150		
Grants:				
Disaster and Emergency Assistance Grant - Coordinator Salary	255	255		
Disaster and Emergency Assistance Grant - 1997 Flood Relief	55,390	37,354	18,036	
Totals	\$ 749,709	\$ 65,660	\$ 650,312	\$ 30,261
<u>Miscellaneous Revenue</u>				
Interest	\$ 158,026	\$ 137,301	\$ 20,396	\$
Licenses and Permits:				
Landfill License Fee	271,477	271,477		
Waste Hauler Permits	13,875	13,875		
Sand and Gravel Sales	5,000			
Home Health Rent	9,000	9,000		
Miscellaneous Items	5,571	4,041	1,488	
Totals	\$ 462,949	\$ 435,694	\$ 21,884	\$ 0
Total Operating Revenue	\$ 1,519,268	\$ 766,368	\$ 713,792	\$ 30,261

TRIMBLE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local
Government
Economic
Assistance
Fund

\$

3,476

\$ 3,476

\$ 329

5,000

42

\$ 5,371

\$ 8,847

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

TRIMBLE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,660	\$ 48,660	\$
Deputy County Judge/Executive	18,078	18,078	
Office Materials and Supplies	2,592	2,592	
Travel	3,600	1,946	1,654
Office of County Attorney:			
Salaries-			
County Attorney	13,488	13,488	
Office Rent	2,400	2,400	
Office of County Clerk:			
Fees	3,827	3,827	
Office Materials and Supplies	8,396	8,108	288
Office of Sheriff:			
Salaries-			
Deputies	11,434	11,434	
Temporary/Part-Time Help	9,000	8,687	313
Fees	500		500
Bond	102	102	
Materials and Supplies	3,186	3,010	176
Office of County Coroner:			
Salaries-			
County Coroner	4,735	4,735	
Deputy Coroner	1,579	1,579	
Fiscal Court:			
Magistrates-			
Salaries	31,021	30,194	827
Fiscal Court Clerk Salary	1,648	1,648	

TRIMBLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of Property Valuation Administrator:			
Statutory Contribution	\$ 6,899	\$ 6,899	\$
Office of Board of Assessment Appeals:			
Per Diem	300	300	
Office of County Treasurer:			
Salaries-			
County Treasurer	6,559	6,559	
County Law Library:			
Law Librarian Salary	600	600	
Elections:			
Per Diem-			
Election Commissioners	2,000	1,845	155
Election Officers	4,040	3,968	72
Polling Places	330	300	30
Printing	4,880	4,880	
Miscellaneous Expense	3,000	1,191	1,809
Courthouse:			
Salaries-			
Janitor	11,588	11,588	
Utilities	20,939	20,798	141
Repairs	4,500	4,484	16
Materials and Supplies	6,000	4,963	1,037
Miscellaneous	4,080	4,080	
<u>Protection to Persons and Property</u>			
County Fire Department:			
Contributions	18,063	18,063	
Reimbursement	973	973	

TRIMBLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property</u> <u>(Continued)</u>			
Disaster and Emergency Services:			
Salaries-			
Director	\$ 2,626	\$ 2,626	\$
Dispatch Service	49,361	49,361	
Forestry Fire Protection:			
Kentucky State Treasurer	1,200	1,034	166
Office of Public Defender:			
Contribution	761	761	
<u>General Health and Sanitation</u>			
Dog Control:			
Salaries	4,148	4,104	44
Miscellaneous	3,500	2,249	1,251
Sanitary Landfill:			
Salaries	28,313	28,313	
Solid Waste Implementation	170	170	
Water Department:			
Contributions	36,481	36,380	101
<u>Recreation and Culture</u>			
Parks:			
Salaries	6,650	6,650	

TRIMBLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Administration</u>			
General Services:			
Advertising	\$ 1,800	\$ 1,390	\$ 410
Audit Services	11,138	11,138	
Insurance	15,008	15,008	
Memberships	5,708	5,708	
Contingent Appropriations:			
Reserve for Transfers	896		896
Fringe Benefits:			
County Contributions-			
Social Security	27,223	27,223	-
Retirement	29,500	29,236	264
Health Insurance	22,500	21,434	1,066
Worker's Compensation	5,128	5,128	
Unemployment Insurance	1,000	737	263
Total General Fund	<u>\$ 512,108</u>	<u>\$ 500,629</u>	<u>\$ 11,479</u>

ROAD AND BRIDGE FUND

General Government

Fiscal Court:

Magistrates-
Salaries

\$ 17,346	\$ 16,884	\$ 462
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Roads

Road Maintenance:

Salaries-

Road Foreman
Road Labor

17,089	11,507	5,582
98,392	95,423	2,969

TRIMBLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Roads (Continued)</u>			
Road Maintenance: (Continued)			
Asphalt	\$ 300,000	\$ 271,255	\$ 28,745
Culverts and Bridges	46,883	17,693	29,190
Crushed Stone and Gravel	51,542	51,542	
Gasoline	15,000	9,469	5,531
Machinery and Equipment-			
Repairs	30,000	25,275	4,725
New Road Machinery	18,153	18,153	
Utilities	3,500	3,287	213
Other Materials and Supplies	19,616	19,616	
Miscellaneous	1,199	1,197	2
<u>Administration</u>			
General Services:			
Audit Services	5,431	1,722	3,709
Insurance	18,000	14,079	3,921
Contingent Appropriations:			
Reserve for Budget Transfers	120		120
Fringe Benefits:			
County Contributions-			
Retirement	10,069	10,069	
Social Security	9,024	9,024	
Health Insurance	15,000	12,364	2,636
Worker's Compensation	10,500	5,128	5,372
Unemployment Insurance	1,000	359	641
Total Road and Bridge Fund	<u>\$ 687,864</u>	<u>\$ 594,046</u>	<u>\$ 93,818</u>

TRIMBLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 15,633	\$ 15,633	\$
Jail Personnel	14,710	14,710	
Association Dues	100	50	50
Staff Training	152		152
Operations-			
Communications Equipment	400	320	80
Routine Medical	16,538	16,538	
Staff Uniforms	100		100
Staff Travel	1,146	1,146	
Telephone	550	513	37
Equipment Repair	662	662	
Housing Prisoners - Other Counties	86,132	86,132	
Miscellaneous Operating Expense	100		100
Juvenile Detention:			
Contract With Outside Agencies	4,900	4,900	
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	9,077		9,077
Fringe Benefits:			
County Contributions-			
Retirement	2,700	2,625	75
Social Security	2,400	2,204	196
Total Jail Fund	<u>\$ 155,300</u>	<u>\$ 145,433</u>	<u>\$ 9,867</u>

TRIMBLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>General Government</u>			
Office of Coroner:			
Autopsies	\$ 877	\$ 877	\$
<u>General Health and Sanitation</u>			
Soil and Water Conservation:			
Contributions	2,500	2,500	
<u>Social Services</u>			
Senior Citizens:			
Contributions	3,600	3,600	
<u>Recreation and Culture</u>			
Parks:			
Supplies	2,000	1,243	757
Repairs	101,704	101,704	
Utilities	3,500	2,828	672
Miscellaneous	1,000	41	959
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	919		919
Total Local Government Economic Assistance Fund	\$ 116,100	\$ 112,793	\$ 3,307
TOTAL BUDGET - ALL FUNDS	\$ 1,471,372	\$ 1,352,901	\$ 118,471

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Ray Clem, County Judge/Executive
Honorable Jack Couch, Former County Judge/Executive
Members of the Trimble County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Trimble County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated July 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Trimble County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trimble County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Ray Clem, County Judge/Executive
Honorable Jack Couch, Former County Judge/Executive
Members of the Trimble County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 30, 1999

COMMENT AND RECOMMENDATION

TRIMBLE COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 1998

REPORTABLE CONDITIONS

NONCOMPLIANCES

The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$307,943 As Collateral And Entered Into A Written Agreement To Protect Deposits

The county's deposits were not adequately secured by \$307,943 as of June 30, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. The county should require the depository institution to pledge sufficient securities as collateral to insure deposits at all times. We also recommend the county enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Former Management's Response:

I am providing the July 1998 Pledge Inventory Report for the purpose of the FY 97-98 Trimble County Audit.

In June of 1998, I asked the President of the Farmers Bank of Milton to increase our Pledge of Securities. An additional \$305,000 was pledged effective July 10, 1998 as the July 1998 Pledge Inventory reflects. I ask that this be mentioned in the Audit Report for the Trimble County FY 97-98 Audit. This amount with the existing pledged amount coupled with the FDIC coverage adequately secured all Trimble County Funds.

Current Management's Response:

County Attorney is currently working with local banks to secure sufficient securities.

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**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

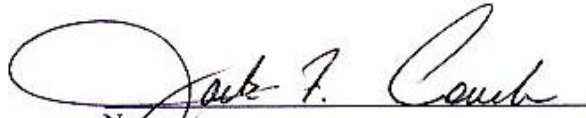
TRIMBLE COUNTY FISCAL COURT

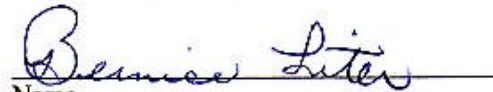
Fiscal Year Ended June 30, 1998

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
TRIMBLE COUNTY FISCAL COURT

The Trimble County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Fund was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name
Former County Judge/Executive


Name
County Treasurer